

Message Text

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S/S:WHL ERS

P:EDJEREJIAN

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FM SECSTATE WASHDC

TO AMEMBASSY BRUSSELS IMMEDIATE

INFO USMISSION EC BRUSSELS IMMEDIATE

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EXDIS, TOSEC 298

STADIS//////////

E.O. 11652: N/A/

TAGS: ETRD, US, EC

SUBJECT: COUNTERVAILING DUTIES ON EC DAIRY PRODUCTS

FOR THE SECRETARY FROM THE ACTING SECRETARY

1. DEPT RECEIVED JULY 1 SIMON LETTER OF JUNE 24 BRINGING COUNTERVAILING DUTIES CASE AGAINST EC SUBSIDIZED DAIRY PRODUCTS TO YOUR PERSONAL ATTENTION. BACKGROUND AND TEXTS OF SIMON LETTER AND PROPOSED REPLY FOLLOW.

2. TREASURY HAS AGREED TO HOLD OFF PUBLICATION OF NOTICE OF COUNTERVAILING DUTY PROCEEDINGS ON EC DAIRY PRODUCTS UNTIL AFTER YOUR RETURN.

3. STATE, TREASURY, STR AND USDA ARE PREPARING OPTIONS P PER FOR CONSIDERATION BY PRESIDENT. BASIC OPTIONS WOULD
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BE 1) ISSUE NOTICE AND AWAIT EC REACTION, 2) ISSUE NOTICE

BUT ACCOMPANY IT WITH PRESIDENTIAL STATEMENT A) LIBERALIZ-
ING SECTION 22 QUOTAS ON DAIRY IMPORTS, B) SAYING US
PREPARED TO DISCUSS WAYS TO RESOLVE PROBLEMS IN DAIRY
TRADE AND C) SAYING US REMAINS WILLING TO NEGOTIATE
BROADER ISSUE OF SUBSIDIES AND

COUNTERVAILING DUTIES. US WOULD ALSO SAY IT HAS RECEIVED
COMPLAINTS ABOUT SUBSIDY PRACTICES OF OTHER DAIRY SUPPLIERS
AND IS INVESTIGATING. AT THIS STAGE WE PREFER SECOND
OPTION AS MORE LIKELY TO REDUCE ADVERSE IMPACT ON US-EC
RELATIONS.

4. EC DELEGATION HERE ON JULY 2 ASKED THAT IT BE GIVEN
A FEW DAYS ADVANCE NOTICE OF PROCEEDINGS ANNOUNCEMENT IN
ORDER TO COORDINATE AND CONSULT WITH US ON OUR ANNOUNCE-
MENT AND ANY EC COMMISSION PUBLIC REACTION. EC D LEGATION
OFFICIAL THOUGHT THIS WOULD BE CONSISTENT WITH US-EC
MUTUAL DESIRE TO CONSULT ON ISSUES WHICH MIGHT CAUSE
PROBLEMS.

5. WE BELIEVE THE MEMORANDUM TO THE PRESIDENT SHOULD NOT
GO FORWARD UNTIL YOU HAVE HAD THE OPPORTUNITY TO
REVIEW IT IN LIGHT OF YOUR OVERALL ASSESSMENT OF CURRENT
STATE OF US-EUROPEAN RELATIONS.

BEGIN TEXT OF SECRETARY SIMON'S LETTER

DEAR HENRY:

AS YOU KNOW, A COMPLAINT HAS BEEN ON FILE WITH THE
TREASURY DEPARTMENT FOR THE LAST SIX YEARS, REQUESTING
THE ASSESSMENT OF COUNTERVAILING DUTIES AGAINST COMMON
MARKET DAIRY PRODUCTS, BY REASON OF THE SUBSIDIES GRANTED
UNDER THE COMMON AGRICULTURAL POLICY. IN 1973, A WRIT
OF MANDAMUS WAS FILED IN THE DISTRICT COURT IN WASHINGTON
FOR THE PURPOSE OF REQUIRING TREASURY TO RENDER A DECISION
ON THIS COMPLAINT.

WE HAVE NOW BEEN ADVISED THAT THE APPELLATE COURT HAS
ISSUED A DECISION WHICH RENDERS IT QUITE LIKELY THAT
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TREASURY WILL BE ORDERED IN APPROXIMATELY ONE MONTH TO
DETERMINE WHETHER COUNTERVAILING DUTIES SHOULD BE
ASSESSED UPON THESE DAIRY PRODUCTS.

AT THE TIME OF MY CONFIRMATION, AND IN RESPONSE TO
WRITTEN INQUIRIES, I ADVISED SENATORS NELSON, MONDALE,
AND DOLE THAT TREASURY WOULD INTENSIFY ITS INVESTIGATION
OF THE COMMON MARKET DAIRY PRODUCTS COMPLAINT AND ENFORCE

THE LAW IF THESE PRODUCTS WERE FOUND TO BE SUBJECT TO
COUNTERVAILING DUTIES. THIS WE HAVE DONE, AND TOGETHER
WITH THE STATE DEPARTMENT WE HAVE INFORMED COMMON MARKET
OFFICIALS OF THE PROGRESS OF THE COUNTERVAILING DUTY
PROCEEDING TO THIS POINT. SEVERAL TREASURY PEOPLE ARE
MEETING WITH ASSISTANT SECRETARIES ENDERS AND KUBISCH ON
THIS MATTER AND OTHERS THIS MONDAY, JUNE 24. THE ENTIRE

PROCEEDING, HOWEVER, DESERVES YOUR PERSONAL ATTENTION AS
TREASURY'S INVESTIGATION DRAWS TO A CLOSE AND OUR
DETERMINATION BECOMES IMMINENT.

SINCERELY, WILLIAM E. SIMON. END TEXT.

BEGIN TEXT PROPOSED REPLY

DEAR BILL:

IT WAS GOOD OF YOU TO INFORM ME IN YOUR LETTER OF JUNE 24
OF SOME OF THE LATEST DEVELOPMENTS WITH RESPECT TO THE
CASE FOR ASSESSMENT OF COUNTERVAILING DUTIES ON SUBSIDIZED
DAIRY EXPORTS TO THE UNITED STATES FROM THE EUROPEAN
COMMUNITY. FULLY UNDERSTANDING TREASURY'S STATUTORY ROLE
IN COUNTERVAILING DUTIES, I APPRECIATE YOUR
DEPARTMENT'S WILLINGNESS TO WORK WITH US TO ENSURE THAT
OUR DOMESTIC AND FOREIGN POLICY OBJECTIVES AND REQUIRE-
MENTS IN THIS AREA ARE BOTH FURTHERED TO THE MAXIMUM
EXTENT POSSIBLE.

COUNTERVAILING AGAINST EUROPEAN COMMUNITY DAIRY EXPORTS
IS, OF COURSE, A PARTICULARLY DELICATE ISSUE, INVOLVING AS
IT DOES SOME OF OUR PRINCIPAL TRADING PARTNERS AND ALLIES.
I HAVE ALREADY BEEN INFORMED THAT OUR RESPECTIVE STAFFS
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AS WELL AS AMBASSADOR EBERLE AND THE DEPARTMENT OF
AGRICULTURE ARE ACTIVELY ENGAGED IN FINDING MEANS TO
MITIGATE THE ADVERSE FOREIGN POLICY IMPACT OF THIS PROS-
PECTIVE COUNTERVAILING ACTION. I FULLY ENDORSE THESE
EFFORTS.

I APPRECIATE YOUR INVITATION THAT I GIVE THIS MATTER MY
PERSONAL ATTENTION. I UNDERSTAND THAT AN OPTIONS PAPER
IS BEING PREPARED FOR THE PRESIDENT'S CONSIDERATION PRIOR
TO ANY RELEASE OF A COUNTERVAILING DUTY PROCEEDINGS
NOTICE. THIS PAPER, I TRUST, WILL SPELL OUT WAYS IN WHICH
WE CAN BEST DEAL WITH THE DOMESTIC AND FOREIGN POLICY
IMPLICATIONS OF THIS PROSPECTIVE ACTION. I WILL CERTAINLY
WANT TO REVIEW THIS PAPER CAREFULLY UPON MY RETURN FROM
EUROPE.

WARMEST REGARDS, HENRY. END TEXT.

6. RECOMMENDATION: THAT YOU APPROVE PROPOSED LETTER
FROM YOU TO SECRETARY SIMON. SISCO

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